

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



EL DORADO COUNTY FAIR ASSOCIATION
EL DORADO COUNTY FAIR
PLACERVILLE, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #08-056
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

EL DORADO COUNTY FAIR ASSOCIATION
EL DORADO COUNTY FAIR
PLACERVILLE, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

AUDIT STAFF

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AUDIT REPORT NUMBER

#08-056

EL DORADO COUNTY FAIR ASSOCIATION
EL DORADO COUNTY FAIR
PLACERVILLE, CALIFORNIA

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Tom Davis, President
Board of Directors
El Dorado County Fair Association
El Dorado County Fair
100 Placerville Drive
Placerville, CA 95667

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the El Dorado County Fair Association, El Dorado County Fair, Placerville, California, as of December 31, 2007 and 2006, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the El Dorado County Fair Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

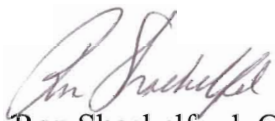
As of December 31, 2007 and 2006, the Fair has presented Account #191, Land, in the accompanying statement of financial condition, which in our opinion, should not be included to conform to accounting principles generally accepted in the United States of America, thereby decreasing total assets by \$90,987. In addition, the Fair reported \$1,356,692 and \$1,366,656 in Account #192, Buildings and Improvements that should be reclassified to Account #194, Leasehold Improvements. The title and parcel documentation reviewed by our office indicated that ownership of the land and buildings are not in the Fair's name. Furthermore, the Fair did not fully capitalize all costs related to the photovoltaic project totaling more than \$900,000.



In our opinion, except for the effects of including Account #191, Land; not reclassifying Account #192, Buildings & Improvements, to Account #194, Leasehold Improvements; and not fully capitalizing all costs related to the photovoltaic project, the financial statements referred to above present fairly, in all material respects, the financial position of the El Dorado County Fair Association, El Dorado County Fair, as of December 31, 2007 and 2006, and the results of its operations and changes in net resources for the years then ended, in conformity with the basis of accounting described in Note 1 to the financial statements.

The El Dorado County Fair Association, El Dorado County Fair has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #08-056 on the El Dorado County Fair Association's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the El Dorado County Fair Association as appropriate. This additional report, however, is not a required part of the basic financial statements.



Ron Shackelford, CPA
Chief, Audit Office

October 10, 2008

**EL DORADO COUNTY FAIR ASSOCIATION
EL DORADO COUNTY FAIR
PLACERVILLE, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION
December 31, 2007 and 2006**

	Account Number	2007	2006
ASSETS			
Cash	111-118	\$ 134,785	\$ 136,120
Accounts Receivable, Net	131	37,149	51,533
Deferred Charges	143	1,500	-
Construction In Progress (CIP)	190	307,196	268,766
Land	191	90,987	90,987
Buildings & Improvements, Net	192	1,356,692	1,366,656
Equipment, Net	193	15,591	23,081
TOTAL ASSETS		<u>1,943,900</u>	<u>1,937,143</u>
LIABILITIES AND NET RESOURCES			
Liabilities and Other Credits			
Accounts Payable	212-213	26,902	37,390
Current Portion-Long Term Debt	212.5	2,970	3,025
Taxes & Payroll Liabilities	226	1,099	18
Deferred Revenue	228	12,490	56,157
Other Liabilities (Pageant Scholarship)	241-242	3,900	2,900
Compensated Absences Liability	245	39,531	54,358
Long Term Debt	250	31,571	34,300
Total Liabilities and Other Credits		<u>118,463</u>	<u>188,148</u>
Net Resources			
Net Resources - Operations	291	86,542	36,829
Net Resources - Capital Assets, less related debt	291.1	1,738,895	1,712,166
Total Net Resources Available		<u>1,825,437</u>	<u>1,748,995</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 1,943,900</u>	<u>\$ 1,937,143</u>

**EL DORADO COUNTY FAIR ASSOCIATION
EL DORADO COUNTY FAIR
PLACERVILLE, CALIFORNIA**

STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
Years Ended December 31, 2007 and 2006

	Account Number	2007	2006
REVENUE			
State Allocation	312	\$ 124,000	\$ 124,000
Project Reimbursement	319	100,641	28,871
Millennium Flex Funds	340	40,000	48,925
Admissions	410	212,111	203,025
Commercial Space	415	89,969	86,031
Concession	422	164,855	156,779
Exhibits	430	24,036	29,761
Horse Show	440	20,122	15,854
Attractions - Fairtime	460	76,299	57,887
Miscellaneous Fair	470	222,971	287,825
Interim Revenue	480	369,811	344,801
Prior Year Adjustment	490	(1,142)	17
Other Revenue	495	9,849	9,522
Total Revenue		<u>1,453,522</u>	<u>1,393,298</u>
EXPENSES			
Administration	500	359,758	350,850
Maintenance and Operations	520	361,518	434,809
Publicity	540	66,212	56,948
Attendance	560	55,229	57,221
Miscellaneous Fair	570	179,656	246,970
Premiums	580	18,551	14,259
Exhibits	630	54,859	62,067
Horse Show	640	7,272	5,617
Attractions - Fairtime	660	111,916	115,151
Interim	680	23,749	-
Prior Year Adjustments	800	(1,320)	(2,741)
Cash Over/Short from Ticket Sales	850	210	78
Depreciation Expense	900	99,470	97,256
Capital Expenditures, F&E	945	40,000	48,925
Total Expenses		<u>1,377,080</u>	<u>1,487,410</u>
RESOURCES			
Net Change - Income / (Loss)		76,442	(94,112)
Resources Available, January 1		1,748,995	1,843,107
Resources Available, December 31		<u>\$ 1,825,437</u>	<u>\$ 1,748,995</u>

**EL DORADO COUNTY FAIR ASSOCIATION
EL DORADO COUNTY FAIR
PLACERVILLE, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS
Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ 76,442	\$ (94,112)
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	14,384	32,471
(Increase) Decrease in Deferred Charges	(1,500)	7,178
Increase (Decrease) in Accounts Payable	(10,488)	9,679
Increase (Decrease) in Current Portion of Long-Term Debt	(55)	(510)
Increase (Decrease) in Payroll Taxes and Retirement Payable	1,081	(174)
Increase (Decrease) in Deferred Income	(43,667)	20,954
Increase (Decrease) in Other Liabilities (Pageant Scholarship)	1,000	(1,126)
Increase (Decrease) in Compensated Absence Liability	(14,827)	-
Total Adjustments	<u>(54,072)</u>	<u>68,472</u>
Net Cash Provided (Used) by Operating Activities	<u>22,370</u>	<u>(25,640)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Construction In Progress	(38,430)	6,167
(Increase) Decrease in Buildings and Improvements	9,964	67,584
(Increase) Decrease in Equipment	7,490	(12,761)
Net Cash Provided (Used) by Investing Activities	<u>(20,976)</u>	<u>60,990</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Liability	(2,729)	(2,799)
Net Cash Provided (Used) by Financing Activities	<u>(2,729)</u>	<u>(2,799)</u>
NET INCREASE (DECREASE) IN CASH	(1,335)	32,551
Cash at Beginning of Year	136,120	103,569
CASH AT END OF YEAR	<u><u>\$ 134,785</u></u>	<u><u>\$ 136,120</u></u>

**EL DORADO COUNTY FAIR ASSOCIATION
EL DORADO COUNTY FAIR
PLACERVILLE, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The El Dorado County Fair was first held at its permanent site in Placerville, California in 1937, and has been held annually each year since World War II. The El Dorado Post No. 119, American Legion, originally operated the fair. The El Dorado County Fair Association was incorporated in 1952 and is currently a general non-profit California corporation exempt from income taxes under Section 501(c) 3 of the Internal Revenue Code and similar California provisions. The Association operates and manages the El Dorado County Fairgrounds and is empowered to employ such persons as are necessary to meet its obligation. The El Dorado County Board of Supervisors has authorized the El Dorado County Fair Association to conduct the annual El Dorado County Fair and to lease the facilities as to gain revenues with which to operate year round, maximizing the use of the facilities as much as possible. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the El Dorado County Fair Association. The El Dorado County Fair Association is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the El Dorado County Fair Association to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the El Dorado County Fair Association conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The El Dorado County Fair Association's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs

of providing goods or services to the general public primarily through user charges.

The El Dorado County Fair Association's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – No provision is made for income taxes. The Fair is a non-profit tax-exempt organization under Internal Revenue Service Code Section 501 (c) 3 and California Revenue and Taxation Code Section 2370 (d). All programs operated by the Fair are exempt from income taxes.

Cash and Cash Equivalents - The El Dorado County Fair Association's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the El Dorado County Fair Association approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the El Dorado County Fair Association is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Property and Equipment - Construction-in-progress, land, leasehold improvements, and equipment are acquired with operating funds and funds

allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are capitalized and depreciated. Buildings and improvements are depreciated over a period of 30 years, and purchases of equipment are depreciated over five years. Amounts spent on repair and maintenance costs are expensed as incurred by the Fair. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. Amounts spent on projects that have not been placed in service are recorded in Account #190, Construction-in-Progress and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Sales Taxes – The State of California imposes a sales tax of 7.25% on all of the El Dorado County Fair Association's sales of merchandise. The El Dorado County Fair Association collects that sales tax from customers and remits the entire amount to the state Board of Equalization. The El Dorado County Fair Association's accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2 CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the El Dorado County Fair Association as of December 31:

	<u>2007</u>	<u>2006</u>
Petty Cash	\$ 50	\$ 50
Change Fund	2,770	650
Cash in Bank - Operating	20,309	46,244
Cash in Bank - Premium	487	248
Cash in Bank – County Treasury	<u>111,169</u>	<u>88,928</u>
Total Cash and Cash Equivalents	<u>\$ 134,785</u>	<u>\$ 136,120</u>

NOTE 3 ACCOUNTS RECEIVABLE

The El Dorado County Fair Association is required to record an allowance for doubtful accounts based on estimates of collectability.

	2007	2006
Accounts Receivable - Trade	\$ 29,199	\$ 40,632
Accounts Receivable – NSF Checks	929	1,234
Accounts Receivable – F&E	6,684	8,618
Accounts Receivable - Unemployment	1,183	1,559
Allowance for Doubtful Accounts	(846)	(510)
Accounts Receivable - Net	<u>\$ 37,149</u>	<u>\$ 51,533</u>

NOTE 4 **LONG-TERM DEBT**

The El Dorado County Fair Association has entered into a long-term loan agreement with California Construction Authority (CCA) to finance a Day Care Facility. The terms of the agreement are as follows:

Day Care Facility:

Loan Amount	\$ 122,000
First Payment Date	9/1/1996
Payment Amount	\$ 426
Duration of Loan	20 Years
Interest Rate	7.03%
Total Outstanding at 12/31/07	\$ 34,541
Current Portion at 12/31/07	\$ 2,970
Long-Term Portion at 12/31/07	\$ 31,571

NOTE 5 **RETIREMENT PLAN**

Permanent employees of the El Dorado County Fair Association are eligible to become members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan administered through the County of El Dorado. Association employees pay a 7% share into the CalPERS Program. The El Dorado County Fair Association pays additional fees required to CalPERS for each employee. Temporary employees that work over 1,000 hours in a year, must also pay into PERS. The Association does not make a matching contribution to the employee's plan. The retirement contributions made by the employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued.

NOTE 6 **RECLASSIFICATION**

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

**EL DORADO COUNTY FAIR ASSOCIATION
EL DORADO COUNTY FAIR
PLACERVILLE, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, El Dorado County Fair Board of Directors
1	Chief Executive Officer, El Dorado County Fair
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



EL DORADO COUNTY FAIR ASSOCIATION
EL DORADO COUN TY FAIR
PLACERVILLE, CALIFORNIA

MANAGEMENT REPORT #08-056

YEAR ENDED DECEMBER 31, 2007

EL DORADO COUNTY FAIR ASSOCIATION
EL DORADO COUNTY FAIR
PLACERVILLE, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2007

AUDIT STAFF

Ron Shackelford, CPA
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Sarah Blote

Audit Chief
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Audit Manager
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MANAGEMENT REPORT NUMBER
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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Tom Davis, President
Board of Directors
El Dorado County Fair Association
El Dorado County Fair
100 Placerville Drive
Placerville, CA 95667

In planning and performing our audit of the financial statements of the El Dorado County Fair Association, El Dorado County Fair, Placerville, California, for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the El Dorado County Fair Association with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the El Dorado County Fair Association's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the El Dorado County Fair



Association's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the El Dorado County Fair Association in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The El Dorado County Fair Association's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the El Dorado County Fair Association's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the El Dorado County Fair Association and compliance with state laws and regulations, we identified three areas with reportable conditions that are considered weaknesses in the Fair's operations: reporting of fixed assets, accounting for an equipment lease, and fringe benefits. We have provided five recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the Fair's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

REPORTING OF FIXED ASSETS

As of December 31, 2007, the Fair reflected a value of \$90,987 in Account #191, Land & Land Improvements, in its general ledger and the 2007 Statement of Operations (STOP) sent to the Division of Fairs and Expositions (F&E). In addition, the Fair capitalized the amount spent on buildings and improvements in Account #192, Buildings and Improvements. However, the Fair could not produce any evidence confirming its ownership of the land it occupies to conduct the annual fair. The Fair's current operating agreement with El Dorado County specifies that the County is the owner of this property and that all buildings and tenant improvements are property of the County. In addition, a report prepared by a title company, and on file at F&E, shows the land on which the annual fair resides is owned by El Dorado County. Therefore, it is incorrect to include any cost of land and related land improvements on the financial statements prepared by the Fair. Furthermore, the amounts spent on buildings and improvements should be accounted for in Account #194, Leasehold Improvements, instead of Account #192, Buildings and Improvements. This is a prior year finding.

Recommendations

- 1. Since the Fair does not own the land, the Fair should remove the \$90,987 reported in Account #191, Land and Land Improvements.*
- 2. The Fair should ensure that all amounts spent on improvements to the fairgrounds are capitalized and reported in Account # 194, Leasehold Improvements, instead of Account #192, Buildings and Improvements.*

ACCOUNTING FOR AN EQUIPMENT LEASE

The Fair understated its overall assets and liabilities and did not comply with generally accepted accounting principles (GAAP) by establishing an asset or long-term liability for the lease of an office copier. In 2004, the Fair entered into a 60-month lease with a local vendor for an office copier. Rather than capitalize and depreciate the acquisition, the Fair expensed each monthly lease payment. In 2008, the copier was upgraded to a new multi-function model and a new 60-month lease agreement at \$340 per month was entered into. The Fair continued to expense each monthly payment. However, according to Statement of Financial Accounting Standards (SFAS) No. 13, a lease is considered a capital lease if it meets one of these four criteria: (i) transfer of ownership, (ii) bargain purchase option, (iii) present value of the minimum lease payments equal or greater than 90% of the fair market value of the leased property or (iv) the lease term is 75% or more of the estimated economic life of the leased property.

The 2008 lease agreement indicates a lease term of 60 months. In general, the economic life for equipment, i.e. copier, is five years. Since the lease term is 100% of the economic life, the copier qualifies as a capital lease and should be capitalized. Upon being notified of this

by our office, the Fair made an attempt to obtain an amortization schedule from the local vendor who provided the copier. The vendor financed the purchase through a third party that has declined to provide the Fair an amortization schedule, or identify the current interest rate the Fair is paying on leasing this equipment. It should be noted that a quick search on the internet for the model number of the copier the Fair is leasing listed the retail price at \$13,109. Over the 60-month period the monthly payments will total \$20,400 (\$340 x 60 payments).

Recommendations

3. *The Fair should consider using the current retail price of the copier it is leasing as the basis to capitalize and depreciate the capital lease. Furthermore, this basis can also be used to prepare an amortization schedule that will estimate the principal and interest portion of each monthly payment over the 60 month lease.*
4. *In the future, the Fair should comply with GAAP and capitalize all equipment leases when required. All financial information related to the equipment acquisition, specifically, the principal purchase price, interest rate, and long-term obligation should be obtained from the vendor and scrutinized prior to entering into the lease agreement.*

FRINGE BENEFITS

The Fair has not accounted for or reported the value of an employee's use of the employer provided vehicle as a fringe benefit. According to the Fair, this vehicle was used primarily for business; however, it was occasionally used by the employee to commute to and from the Fair to the employee's residence. The Internal Revenue Service (IRS) requires the value of any personal use of a vehicle including commutes between the employee's home and office to be reported as taxable income.

Recommendation

5. *The Fair should be cautioned that the IRS considers daily commuting of an employer-provided vehicle a fringe benefit to the employee. The Fair should ensure it complies with this requirement and report the value of this benefit as taxable income for the employee.*

NON-REPORTABLE CONDITIONS

ACCOUNTING FOR THE PHOTOVOLTAIC PROJECT

As of December 31, 2007, the Fair had not capitalized nor depreciated any costs related to the photovoltaic project that was constructed on the fairgrounds and placed in service in 2007. The Fair indicated that it was waiting for all final costs to be determined by the California Construction Authority (CCA) before recording the amount in its accounting records. A final accounting for the project that includes recognizing the outstanding debt is necessary to ensure the Fair's financial statements are fairly stated. Accounting records to date show that the photovoltaic project costs more than \$900,000; the related debt amounts to more than \$600,000.

It should be noted that the Fair asked our office for assistance in determining the correct journal entries to record the photovoltaic project within its accounting records. However, the photovoltaic project is considered an improvement to grounds. Until the Fair addresses the issues noted in the "Reporting of Fixed Assets" as specified above, our office is not comfortable in making recommendations related to the accounting of fixed assets to the Fair.

Recommendation

When all financial information related to the photovoltaic project becomes available, the Fair should make the appropriate adjustments to fully capitalize all costs and accompanying long-term debt related to the photovoltaic project within its accounting records.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Although the Fair is a 501(c)(3) organization, it has an agreement with the County of El Dorado that allows its permanent employees to become members of the Public Employees' Retirement System (PERS). Normally, any employee who works for a State or County agency and works 1,000 hours or more in a fiscal year should be enrolled in PERS. Our office is unclear as to whether any temporary employees working at the El Dorado Fair would similarly benefit. It should be noted that, although the Fair tracks the number of days worked by temporary employees, they do not track the number of hours worked by each.

Recommendation

The Fair should check with the County of El Dorado and determine whether any temporary employees that work more than 1,000 hours in fiscal year would be enrolled in PERS. If it is determined the temporary employees would be eligible, the Fair should implement a tracking system for hours worked by its temporary employees.

ACCOUNTING FOR ACCOUNTS RECEIVABLE AND DEFERRED INCOME

Account #131, Accounts Receivable, and Account #228, Deferred Income, are overstated at year-end by \$11,860. Our office noted the Fair records entries in both Account #131 and Account #228 within its general ledger when an interim revenue contract is signed. The Fair records these entries when the contract is signed even though cash has not been received and revenue recognition to support a valid accounts receivable has not occurred. Since the future event has not occurred and no cash has been received, the revenue should not be reported as a valid accounts receivable. This practice of invoicing and posting receivables and deferred income upon contract signatures, when no cash has been collected, is suitable for internal tracking purposes; however, for year-end financial reporting purposes, it overstates the balances in both accounts.

Recommendation

Prior to closing the accounting period at year-end, the Fair should make an adjusting journal entry to eliminate the balance in Account #131, Accounts Receivable, and Account #228, Deferred Income, for amounts posted related to future interim rental activity that has yet to take place. The adjusting journal entry may be reversed at the start of the accounting period.

COUNTY FAIR ASSOCIATION'S RESPONSE

El Dorado County Fair

Association, Inc.

A 501 (C) 3 Non-Profit Corporation

P.O. Box 1537 Placerville, CA 95667

530-621-5860 fax 530-295-2566

CDFA
Audit Office
Ron Shackelford
1220 N Street, Room 344
Sacramento, CA 95814

Dear Ron,

In response to the 2007 El Dorado County Fair Audit:

Reportable Conditions:

Reporting of Fixed Assets:

The Fair continues to disagree with Audit team; the Fair will keep all land and improvements on the Fair's books. The Fairgrounds is not on the County's books. If it were, the Fairgrounds would have to be held as a liability for the County, as they realize that it belongs to the Fair in reality and it can only be used as fair property. If it were sold or used otherwise, the County would then be in debt, Government Code 25902, which states:

If any real property which was acquired or used for fair purposes and which was purchased or improved in whole or in part from funds apportioned or allocated to the county for fair purposes by the state is sold by any county, there shall be paid into the Fair and Exposition Fund from the proceeds of the sale amount equal to that proportion of the cost of real property and improvements which was paid out of funds apportioned or allocated by the state for fair purposes, less a reasonable allowance for depreciation in value in an amount approved by the Department of Agriculture.

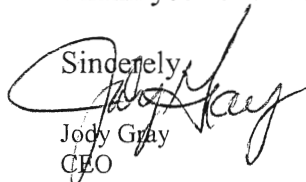
Accounting for the Copier Lease:

The Fair had called the lease company to get an amortization schedule. The lease company said that there is not one and could not produce one. The Audit Office did provide us with an amortization schedule that we will implement.

Fringe Benefits:

The Fair Board has required the CEO to drive the Fair Van as a billboard for the fair. Prior to audit finding, the vehicle was not considered a fringe benefit. As of pay period 19 in 2009, the CEO is claiming the vehicle per IRS guidelines (info provided by Audit Office to be \$3.00 per day round trip) as taxable salary.

Thank you for allowing our response.

Sincerely,

Jody Gray
CEO


Tom Davis
Board President

fair@eldoradocountyfair.org
www.eldoradocountyfair.org

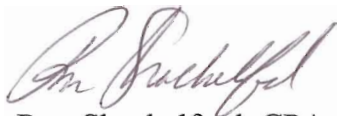
C DFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of El Dorado County Fair Association, El Dorado County Fair, for its review and response. We have reviewed the response and it adequately addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between September 29, 2008 and October 10, 2008. My staff met with management on October 10, 2008 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



Ron Shackelford, CPA
Chief, Audit Office

October 10, 2008

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, El Dorado County Fair Board of Directors
1	Chief Executive Officer, El Dorado County Fair
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office